

Message Text

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64

ACTION XMB-07

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 CIEP-02

OMB-01 L-03 TAR-02 CEA-02 STR-08 SS-15 NSC-10 AGR-20

RSR-01 /153 W

----- 018650

R 061645Z AUG 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6706

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DEPARTMENT PASS TREASURY, FEDERAL RESERVE, EXIM AND USDA/FAS

E.O. 11652: N/A

TAGS: EFIN, GW

FOL TEL BREMEN 303 SENT ACTION BONN AUG 3 HERewith REPEATED
FOR YOUR INFO:

QUOTE:

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E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: BARDEPOT - COMMERCIALLY CUSTOMARY TERMS OF PAYMENT--AN NTB?

43*: (A) BONN 10113; (B) BREMEN 63

1. CONGEN NOTED FROM PRODUCT LISTING IN PARA 14 OF REFTel A THAT
BUNDESBANK CONSIDERS CUSTOMARY PAYMENT TERM FOR TOBACCO TO BE
CASH. THIS IS AT VARIANCE WITH INFORMATION OBTAINED BY THIS POST
FROM GERMAN IMPORTERS. AS REPORTED IN PARA 1 OF REFTel B,
BUNDESBANK HAS RECOGNIZED QUOTE COMMERCIALLY CUSTOMARY UNQUOTE
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PAYMENT TERM FOR U.S. TOBACCO UP TO DAY OF SHIPMENT FROM US.

DEPENDING ON ACQUISITION OF TOBACCO ON US AUCTION FLOOR, PAYMENT TERM MAY EXTEND UP TO NINE MONTHS. AS RESULT, GERMAN USE OF US COMMERCIAL BANK CREDITS FOR THIS PERIOD IS EXEMPT FROM BARDEPOT.

2. GERMAN TOBACCO INDUSTRY CONSIDERS ABOVE BUNDESBANK INTERPRETATION OF PAYMENT TERM FOR US TOBACCO AS COMPROMISE BETWEEN EARLIER BUNDESBANK ASSERTION THAT GERMAN PURCHASE OF US TOBACCO IS CASH TRANSACTION AND INDUSTRY POSITION THAT USE OF US COMMERCIAL BANK CREDITS UP TILL DAY OF SHIPMENT AND EXIMBANK AND CCC CREDITS FOR ENSUING TWELVE MONTHS HAD BEEN COMMERCIAL CUSTOMARY (REF BREMEN'S 230 AND 33). UNDER CURRENT BUNDESBANK RULING USE OF EXIMBANK AND CCC CREDITS ARE SUBJECT TO BARDEPOT.

3. WHILE GERMAN IMPORTERS DEPLORE LOSS OF EXIMBANK AND CCC CREDIT FACILITIES, THEY CONSIDER QUOTE COMPROMISE ARRANGEMENTS UNQUOTE WITH BUNDESBANK SUFFICIENTLY PRECARIOUS TO PREFER DESISTING FROM RAISING AGAIN QUESTION OF QUOTE COMMERCIAL CUSTOMARY UNQUOTE NATURE OF EXIMBANK AND CCC CREDITS. APPARENTLY, ARRANGEMENTS BETWEEN BUNDESBANK AND INDIVIDUAL LARGE-SCALE IMPORTERS (BRINKMANN OF BREMEN AND REEMTSMA AND BAT OF HAMBURG) FOLLOW A PATTERN AS SUGGESTED IN PARA 2 OF REFTTEL A, BUT VARY SUFFICIENTLY FROM COMPANY TO COMPANY SO THWT INDUSTRY HESITANT TO TAKE COMMON POSITION LEST IT INVOKE THREAT OF POSSIBLE RECONSIDERATION OF THE INTERPRETATION OF PAYMENT TERMS FOR US TOBACCO BY BUNDESBANK (PARA 12 REFTTEL A) VIS-A-VIS INDIVIDUAL COMPANIES. ON BASIS OF PAST NEGOTIATIONS WITH BUNDESBANK, ABOVE MENTIONED COMPANIES (ACCOUNTING FOR OVER 90 PERCENT OF TOBACCO IMPORTS FROM US) STATE THAT THEY WOULD BE HARD PUT TO PROVE COMMERCIAL CUSTOM OF USING EXIMBANK AND CCC CREDITS. LAST BUT NOT LEAST THEY DO NOT WANT PRESSURE PUT ON BUNDESBANK DIRECTLY OR INDIRECTLY ON THIS ISSUE, SINCE THEY HAVE TO LIVE WITH BUNDESBANK IN FUTURE ON OTHER ISSUES. HENCE, THE GERMAN IMPORTERS RECOMMEND A HANDS-OFF POLICY ON THE QUESTION OF BARDEPOT LIABILITY FOR EXIMBANK AND CCC CREDITS FOR US TOBACCO IMPORTS.

4. ACTION REQUESTED:
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SINCE BARDEPOT IMPLICATIONS ON TOBACCO HAVE BEEN SUBJECT OF BREMEN'S REFERENCED CABLES SENT ACTION OR INFO TO SECSTATE AND USDA/FAS, CONGEN SUGGESTS THAT INTERESTED WASHINGTON AGENCIES BE APPRISED OF GERMAN TOBACCO INDUSTRY POSITION IN THIS MATTER AND EMBASSY'S RECOMMENDATION.SULLIVAN

UNQUOTE

HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 06 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN11232
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730856/aaaabphp.tel
Line Count: 116
Locator: TEXT ON-LINE
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Aug-2001 by izenbei0>; APPROVED <10-Sep-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BARDEPOT - COMMERCIALLY CUSTOMARY TERMS OF PAYMENT--AN NTB? 43*: (A) BONN 10113; (B) BREMEN 63
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005